

THE FUTURE OF ROUND II EMPOWERMENT ZONES

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THE FUTURE OF ROUND II EMPOWERMENT ZONES

WEDNESDAY, APRIL 26, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:15 a.m., at the Mecca Community Center, 91191 Sixth Street, Mecca, California, Hon. Mary Bono presiding.

Chairwoman BONO. Good morning. Can you all hear me okay? We are ready to call the hearing to order. Those of you who want to grab your seats, we would appreciate it.

Today the Small Business Committee is convening to discuss the development and progress that has been made in the Desert Communities Empowerment Zone. In addition to exhibiting the advancement being made in this area, this hearing is an important piece in the process to complete the Round II Empowerment Zones, which includes the Desert Communities Empowerment Zone.

In 1997, 20 Empowerment Zones were authorized as part of the tax reconciliation package in the Balanced Budget Act. This second round of Empowerment Zones, 15 urban and 5 rural, were designated January of 1999. Unlike their predecessors in the first round, the Round II Empowerment Zones were not authorized to benefit from the employer wage tax credit, also referred to as the hiring tax credit, nor were there funds available to implement the strategic plans upon which the designations were made.

Today's hearing is especially timely in addressing this matter. In the coming months, Congress is expected to begin consideration of the Watts/Talent American Community Renewal Act, which will establish areas of economic empowerment and renewal. Included in this legislation will most likely be aspects of the Administration's New Market Initiatives.

I am concerned that Congress has an unfulfilled obligation to complete the process begun for the Round II Empowerment Zones. This obligation especially stands out as we consider proposals to create a new set of entities for economic development, the American Renewal Communities, and begin to consider implementation of the President's New Market Initiatives. I am committed to doing all that I can do to ensure that we pass legislation to provide full funding along with the hiring tax credit for the second round Empowerment Zones and complete the commitment that we have made to our distressed communities.

The individuals we will hear from today work intimately with the Desert Communities Empowerment Zone, and they will be able

to describe some of the exciting things that are happening at the eastern end of the Coachella Valley and throughout Riverside County. As well, they will be able to depict some of the economic development difficulties associated with indefinite funding and the lack of certain tax incentives. Given the potential impact of the Empowerment Zone in this area, it is critical that we in Congress devote the necessary time to understand the ramifications of not following through on our commitment to the Round II Empowerment Zones.

Today's first panel will begin with Celeste Cantu, who is State Director for the USDA. Following Ms. Cantu will be my good friend Riverside County Supervisor Roy Wilson. Finally we will hear from the Chairman of the Desert Community Rural Empowerment Zone, Mark Benitez. The committee is interested in hearing the views of these individuals concerning the benefits of the rural Empowerment Zones, especially in eastern Riverside County.

The second panel is made up of four individuals who deal with the economic development issues facing the rural Empowerment Zone: Harold Joseph, Executive Director of the Coachella Valley Enterprise Zone Authority, Harley Knox, developer, Larry Chank, developer, and Mike Bracken, Director of the Coachella Valley Economic Partnership.

I would like to take this opportunity to offer my sincere appreciation to the panelists for their time and attention to making the Empowerment Zone successful and for being here to share with us today. As well, I would like to thank everyone that submitted written testimony for the record and those who came to show their interest in the future of the Desert Communities. Lastly, I would like to thank everyone involved with this event, making it happen, especially Leticia DeLara with Supervisor Wilson's office.

I want to make a special recognition and welcome to Joe Ceja, who is principal of Mecca School, who has brought a handful of students here to participate and watch the Congressional process in action. And with it, I also want to thank deeply my colleague, Ms. Juanita Millender-McDonald, who I worked with yesterday in her district on a similar hearing like this. The topic was the digital divide. So today she has graciously come out here to Mecca to join in our hearing. And I want to thank you for getting up at the crack of dawn and coming this way. Hopefully you battled the traffic going the wrong way, against the grain. And so I want to welcome you. And on that note, I will turn to you for opening statement.

Ms. MILLENDER-MCDONALD. Thank you so much. Thank you, Madam Chairman, and thank you all for being here today. It is indeed a pleasure for the Subcommittee of the Empowerment of the Full Committee of Small Business to be here. I serve as the Ranking Member on the Small Business Empowerment Subcommittee, and I am very grateful to the Chairwoman here, who you very well know as your leader in the House of Congress. She has served you admirably and I am pleased to be here with her today.

I am also pleased to be here in the absence of our Chair, Joe Pitts out of Pennsylvania, who cannot be here this morning, but he and I work very closely, along with your Congresswoman in trying to provide those types of opportunities for you, a small business, and even areas such as Mecca, who is trying now to get more self-

sufficient and more opportunities coming this way. I am pleased to be part of this very important hearing.

As your Chairwoman said just yesterday, she was with me in my district informing my constituents about the digital divide and its impact on education and the future of e-commerce, which affects how all of us handle day-to-day transactions.

Today we are sharing the accomplishments and economic development benefits of Empowerment Zones with you, her constituents, and with all of our constituents because we are all from California. As we continue our journey through the 21st century, we must make sure that none of our communities are economically disadvantaged. We can do this by making sure that all are equipped with the right set of tools, whether they are tax incentives, business opportunities, or other opportunities to stimulate economic development and economic growth.

The Empowerment Zones and Enterprise Communities, EZ/EC, initiative is an element of President Clinton's job creation strategy for America. Its purpose is to create jobs and business opportunities in the most economically distressed areas of inner cities and rural heartlands. The EZ/EC effort provides tax incentives and performance grants and loans to create jobs and expand businesses with all the opportunities that we can muster. It also focuses on activities to support people looking for work, job training, child care and transportation.

On December 21, 1994, President Clinton and Vice President Gore designated 72 urban areas and 33 rural communities as Empowerment Zones or Enterprise Communities. What sets this initiative apart from previous urban revitalization efforts is that the community drives the decision-making. That is most important. You determine what you want, how you want it done, where you want it done and what time lines it will happen. Residents decide what happens in their neighborhoods, not the Federal officials in Washington—most of them call us bureaucrats, but we are really not—which EZ/EC community has written benchmarks or goals that determine how the money will be spent and what the results of the activity will be.

Although the Empowerment Zones and Enterprise Communities initiative is a 10-year effort, visible change in zone neighborhoods has already taken place in the form of business startups and expansions, new jobs, commercial and housing development and improved services for community residents. The EZ/EC effort has taken the best of Republican and Democrat ideas by combining tax incentives for business development with a comprehensive approach to community revitalization through performance-oriented block grants.

So I am pleased to be part of this hearing today, be a part of being in this district because we are here now to listen to you, and we will carry this back to Washington where we will engage in further interaction in providing the opportunities for you, our citizens of the State of California, and indeed this great district that I happen to be in this morning. I thank you and I am very happy to be here.

Chairwoman BONO. Thank you. Before our witnesses begin, I would like to let you all know that on the back table there are writ-

ten statements that are prepared by each of the witnesses. You might want to pick them up and follow along as they read their statements. If not, please pick one up on the way out so the staff won't have to lug them back to Washington. So please pick one up and help yourself.

So with that, we are going to begin. Generally, in Washington we try to limit each witness to about a 5-minute time period. One of the beauties of being in the district here is they are a lot more flexible. But if you could try to be as concise as possible, as close to 5 or 10 minutes as you can, we would appreciate it. So with that, we will open the testimony up to Ms. Cantu.

**STATEMENT OF CELESTE CANTU, STATE DIRECTOR, USDA
RURAL DEVELOPMENT FOR CALIFORNIA**

Ms. CANTU. Good morning, Madam Chair, members of the committee. My name is Celeste Cantu. I am State Director of USDA Rural Development for California, and I am sitting in for Maria Matthews, who is Deputy Administrator for Office of Community Development in Rural Development in Washington, D.C. It is her office that administers the rural EC/EZs. Her testimony is available in the back, and I have a somewhat abridged version of that. My version is probably going to be a little bit more finely-tuned to what is happening in this Empowerment Zone. I am happy to have the opportunity to talk about this, and I was also very happy to hear your good words and I think very accurate words about the power of the Empowerment Zones and Enterprise Communities.

In a short period of time we have seen incredible transformations. It is almost mind-boggling when we started out with the strategic planning process and everybody had dreams that came out of the grass roots. All the voices were invited to the table so that no one would be left out. And ideas that at the time might have thought to have been marginalized because they were something nobody else had thought of before, perhaps they weren't mainstreamed, we have seen those flourish and come up.

And now, even after a year in this Empowerment Zone, and almost five years in the Enterprise Community where I came from before I took this post, we see even those smallest ideas that we thought would be marginalized very successful. It's almost uncanny how that strategic planning process can engender and create a venue for these ideas to flourish.

The Empowerment Zones and Enterprise Communities are taken from the very poorest members of the communities across our nation. They start with almost no resources. They start with a history of almost no successes. The people who come together have not personally found a lot of success and their communities are suffering tremendously from a lack of economic activity, a lack of a community development foundation from which to spring forth an economic strategy.

In important ways, the rural EZ/EC is more of a community development program than an economic development program. In my work it seems that those two definitions often cross over and blur. It doesn't seem very functional to have two categories any longer. It's real clear that for economic development to happen, you have to have the foundation of a good, strong community development

effort. It's very hard to inspire businesses to locate to your community when you don't have a good school system or a struggling, challenged school system, when you don't have recreations, you don't have a housing stock for employees to live in.

All of those kinds of community development activities that we often take for granted in communities across this nation are really woefully lacking in the very communities that have been designated. They were designated because they lacked that kind of infrastructure. And it seems that a major first step is to get that activity going to serve as a springboard to support the economic development activity.

The applications for EZ/EC designations were very competitive and had to be supported by comprehensive, long-term strategic plans for development. The planning process itself had to include broad public participation, and not merely the product of a planning office or consulting firm. In effect, the application procedure constituted a significant process of community development, and the communities that took this process seriously found themselves mobilized for action and in possession of an implementable plan.

Recognizing the value of this planning process and the desirability of sustaining the progress made by the 227 Round I applicants, in fiscal year 2001 the president's budget has proposed \$7 million for partnership technical assistance grants, which provide technical assistance to underserved communities to create strategic plans, better use and coordinate USDA Rural Development grant and loan programs, and achieve sustained economic viability, job creation and improved quality of life. These grants will be run through the World Business Opportunity Grant Program under USDA.

When you look at the resources that these communities came together, and now as staff members we say "You have to do the strategic planning process," initially they don't even know what that process is. They don't realize that they really continually are participating in such a process in their daily coffee shops. But to have it strategically set out with benchmarks, it sometimes seems overwhelming. It is particularly overwhelming when the finances don't seem to be there to support staff to give them technical assistance. But in spite of that, we have seen communities like the Riverside—the Desert Communities Empowerment Zone, who had just a modicum of resources, still prevail, and that's really an incredible testament, it seems to me.

USDA designated most of the unsuccessful EZ/EC applicants as Champion Communities and provided them with special financial and technical assistance to implement parts of their strategic plans. USDA in particular used the Champion Communities as the basis for significant outreach to spur development in these hard-to-reach communities and through fiscal year 1999 has invested some \$290 million in its business and infrastructure development program for these communities.

In California what I have done is, I have reserved 100 percent of my state director's discretionary points for the benefit of Champion Communities. We said, "You weren't successful in the EZ/EC process, but you are still a Champion, you are not a loser. We are not going to give you any money at all," which is a horrible shock,

“but we will give you a lot of technical assistance.” And where they have benefited is with this strategic plan that they had in place in order to compete for the designation, that’s still a live document, we gave them technical assistance to help propel them forward. And with the reserve state director’s points, we gave them preferential treatment for competing for grants. So in fact, they have been able to pull in a lot of grant money and loan money that otherwise would not have gone to their community.

Those are not special designations or set-asides. These are regular funding stream. It’s not funded under the EZ/EC initiative, but they were able to compete successfully for the first time to capture these monies, and that came out of the emotional commitment that comes after you finish a strategic planning process. People still have the energy to try to see that through, even though they receive no rewards at all from the government. So we are very thrilled to see those successes as well.

I want to speak a little bit about the Desert Communities Empowerment Zone. It was about a year ago on January 13th that Vice President Al Gore and Secretary of Agriculture Dan Glickman announced the five rural Round II Empowerment Zone designations. The most important one for this area is the Desert Communities Empowerment Zone, which is the only Empowerment Zone in California. That designation was the culmination of unprecedented community-based, grassroots efforts by the stakeholders and the residents of eastern Riverside County to establish a process and a mechanism to effect long-term positive change and improve the quality of life of their residents.

They are able to do this with almost no direction. It is a basic understanding in the Empowerment Zone that all decisions are local decisions. There is no cookbook, there is no rule book. There is no process that says from the Federal government “This is the way it’s going to be. You just make your community fit around it and see if you compete very well.” It’s very kind of organic, it comes from the inside out. And that can be troubling to a community that hasn’t had a lot of successes in competing for Federal funds because if you don’t know how to do something, it’s very hard to start from scratch with not a lot of direction. Those communities that were able to do it are the ones that have been the most successful.

In this year the Desert Communities EZ has organized and formed their board of directors and elected officers, developed and adopted their bylaws, established and incorporated a community-based nonprofit corporation, adopted the initial two-year \$4 million budget, and I might add, without having received a penny to date, received the 501 (c)(3) tax-exempt status from the IRS, established the EZ’s banking and financial services, developed Sponsor Agreements for the use of DCEZ funds, executed the Memorandum of Agreement with USDA, and executed the EZ Grant Agreement with USDA. Those are all important milestones that reflect the kind of sophistication that you don’t always see in the varied communities that are designated as Empowerment Zones.

But the real thing we like to boast about are the successes in the community. Keep in mind that this community has not enjoyed a lot of successes historically. It’s an agricultural community and business has been pretty much as usual for all of my lifetime.

Roy, you are going to have to expand that a little further back. Chairwoman BONO. Because he is older, you mean?

Ms. MILLENDER-MCDONALD. Watch it.

Ms. CANTU. I drove pretty close to here. I can remember the Salton Sea when we could ski in it.

Just some high points. The number of successes even in this first year are too numerous to be able read all of them, so we picked kind of our favorites. The Coachella Valley Housing Coalition received an \$800,000 HUD grant for housing and community development that will benefit low-income farm workers. The Torres-Martinez Desert Cahuilla Indians is one of the EZ's four Native American subzones. It was awarded a \$550,000 HUD grant under the Indian Community Development Block Grant. The Salton Sea Authority received a \$2 million local assistance grant from the State of California to support efforts to maintain and improve the habitat in the Sonny Bono National Wildlife Refuge.

The First Nation Recovery Incorporated opened a \$6 million state-of-the-art tire recycling facility at the Cabazon Band of Mission Indians Tribe Resources Recovery Park near the community of Mecca. At full capacity, the facility will employ more than 30 people and recycle 35 million pounds of tires per year. This is a big deal.

Conway Trucking broke ground for a new \$4.5 million terminal that will be located adjacent to the Blythe Airport in the Mesa Verde Subzone. Conway will initially hire 30 to 35 employees with starting hourly rates of 13 to \$15 an hour for nonadministrative staff. The terminal should be fully operational by early December and is expected to handle 1.5 million pounds per day. Conway plans to expand to 3 million pounds per day within a year.

Of the four auto dealerships to be located at the I-10 Auto Mall in Indio, a developable site of the EZ, Honda Unicars opened in June 1999 and has hired 35 new employees, 31 of which were low-income. The second dealership, Fiesta Ford, is finalizing construction of its \$3 million facility and has already hired 50 new employees and plans to hire another 20 to 25 more staff when fully operational. Most job placements are being processed through the Riverside County JTPA-Workforce Development Program.

They broke ground on a \$66 million Phase III Highway 86 Improvement Project. This project will provide the final link between the recently completed portions of the upper and middle Coachella Valley with the final portion extending to Imperial County.

The Coachella Valley Water District located in the EZ received \$4,250,700 from USDA in rural development colonia grant funds to provide a safe and sanitary water supply to the communities of Middleton road and 100 Palms Trailer Park. The Mission Spring Water District in the EZ received \$900,000 from USDA to repair and upgrade the community's water delivery system. The City of Coachella Redevelopment Agency, \$45,000 in USDA Rural Business Enterprise Grant funds to establish a revolving loan fund for micro- and standard-sized enterprises.

Unfortunately, the Empowerment Zone designation did not include full funding as expected. Instead, future EZ funding is in doubt, requiring the DCEZ to slightly alter course. They are beginning to scale back their expectations and invest more time and ef-

fort into securing other non-EZ resources to further the implementation of their Strategic Plan.

Despite these setbacks, belief in the Empowerment Zone philosophy and concept remains strong. Both USDA and DCEZ are committed to the implementation of the strategies identified in the Strategic Plan, and the pursuit of DCEZ's overall vision to improve the quality of life for all residents.

Thank you for the opportunity to appear before this committee and share with you the accomplishments of the EZ/EC program, particularly those of the Desert Communities Empowerment Zone. As a former board member of the Enterprise Community in California, I can say from my own experience that this process works for the betterment of the community and all of its residents.

Chairwoman BONO. Thank you, Ms. Cantu.

Next we will hear from Supervisor Roy Wilson.

STATEMENT OF ROY WILSON, RIVERSIDE COUNTY SUPERVISOR

Mr. WILSON. Thank you very much, Congresswoman. We are happy to welcome you here to Mecca, California, a rural community that has been blessed, along with other small communities in eastern Riverside County, by the designation as a Rural Empowerment Zone. This has opened up a hope to the people of these communities for a future of better life and better qualities of life and better economic development.

As Celeste indicated, it was on January 13, 1999 that the Vice President and Secretary Glickman designated this area or announced the designation of this area as a Round II Empowerment Zone. The efforts that these communities put in was rather unique. It brought together a wide range of individuals, from residents, local governments, Indian tribes, social service agencies, and other stakeholders throughout eastern Riverside County that traveled great distances to come together on a weekly basis to put together from grassroots vision a strategic plan that would improve the quality of life of their residents.

The strategic planning process required the identification and development of a long-term vision, and that vision that they developed states as follows: Our vision of the Desert Communities Empowerment Zone is a region with vibrant and sustainable communities where all residents have the opportunity to achieve an enhanced quality of life and self-sufficiency through innovative and collaborative community-based public and private partnerships.

The community members also established the following long-term goals for the Empowerment Zone: To implement creative and innovative strategies that lead to sustainable community development, thereby advancing the creation of livable and vibrant communities; promote economic opportunities and entrepreneurship, including job creation within the communities throughout the region; expand and coordinate community-based partnerships, including increasing the participation of residents and all other stakeholders in the community; and pursue our Desert Communities' vision for change that incorporates human, community and physical development well into the 21st century.

Since the designation, the DCEZ has moved forward with the implementation of the strategies identified in the Strategic Plan. The initial efforts have focused upon organizing and structuring the various individual entities. The Strategic Plan called for the formation of a new community-based, nonprofit corporation to be responsible for the administration of the DCEZ. This required the development of bylaws, the election of board members, the preparation and submittal of corporation and tax-exempt documents and the election of officers. This board has been meeting regularly since formation, back in April of 1999, and the amount of community energy and involvement has just been outstanding.

DACE is finalizing agreements with the 16 Year 1 activities and is "drawing" down funds from USDA. The DACE will soon enter into an agreement with USDA for Year 2 projects, and it is also developing plans for hiring full-time staff and acquiring permanent office space.

Furthermore, the DACE is conducting ongoing "town hall" meetings and "issue area" meetings to continue the community, social, and economic development needs process to establish priorities for future Empowerment Zone funding.

I might point out that one of the very first projects that they were able to do in the Empowerment Zone was to help restore a swimming pool on the Torres-Martinez Tribal Nation grounds that had been sitting in disrepair for years. And they got in and with the help of the Torres-Martinez Indians, they repaired that pool in time for the youngsters and the community members of that tribe to enjoy it last summer.

The entire Federal Empowerment Zone program was predicated upon the Federal government's commitment to act as a partner with residents and local stakeholders in the revitalization of distressed rural communities. This commitment, and primary incentive for local participation, was the investment of \$40 million in Empowerment Zone funds to assist and facilitate the implementation of each EZ's strategic plan. To date, this long-term commitment has not been fulfilled. The DCEZ and the communities must endure year-to-year funding struggles. Consequently, successful implementation of Round II EZ/EC strategic plans has not been realized.

It is imperative that the Round II Empowerment Zones receive their full funding. Without such funding, long-term success and performance of the Empowerment Zones is uncertain.

Whereas the direct Empowerment Zone funding is a critical and essential component of DCEZ Strategic Plan, other Federal incentives and preferences for Empowerment Zones are important as well. These incentives and programs include direct set-asides of Federal program funding,

USDA, HUD, EPA, various funding sources, for projects or activities within our Empowerment Zones; preference points, for Federal grant applications, for programs or projects located within or serving Empowerment Zones; authorization for Empowerment Zone Employment Credits for Round II EZ/ECs; the continuation of Work Opportunity Tax Credits for Empowerment Zones and Enterprise Communities; and continuation of the Section 179 deductions.

It is also very important that sufficient funding be provided to USDA to continue their administration of the Rural Empowerment Zone program. USDA, through their state and local offices, has been an invaluable advocate, partner, and supporter of our Empowerment Zone. It is imperative that USDA have the resources to continue these efforts. And we would urge you to please take the message back that these zones have many, many needs. We have a plan; we just need your help and support. And we trust that you will carry that message. Thank you.

Chairwoman BONO. Thank you, Roy.

Mark Benitez, it is now your turn.

STATEMENT OF MARK BENITEZ, CHAIRMAN, EXECUTIVE COMMITTEE, DESERT COMMUNITY RURAL EMPOWERMENT ZONE

Mr. BENITEZ. Good morning, Madam Chair and distinguished panel. I am Mark Benitez, and I'm the President of the Executive Committee for the Desert Alliance for Community Empowerment. Roy and Celeste did a tremendous job of laying out the foundation of what actually made the Empowerment Zone of this area a key formation. There is not much I can add to that.

But I can add, a perspective of emotions shared by the rest of the board members that represent Mecca and the other cities that are involved in the Empowerment Zone is that it took a year to finally get all of the correct documentation in place to specify what the Empowerment Zone was, how the funding would be allocated and how the funding would be acquired. We are hopeful that this week we will have some good news on that process and that everything that needed to be done is finalized and we will finally get past that hurdle, and a lot of the projects that have been spoken about will actually be funded in order to do them.

I know today that we need to talk a lot about the economic development of the Empowerment Zone, and at this particular time we have a few projects that have actually come forward that, once again, is based upon funding, whether or not they will get matching funds and startup fees and things like that to get them going. Probably one of the most hopeful projects is ADC Company, Allied Digital Communications. They make CD-ROM discs. They're going to actually relocate to this area and open a facility for manufacturing CD-ROMs. Now, that's going to create I believe around 130 jobs. That's what they are specifying right now. That would be great if we could actually get that started, too. Once again, that's another coalition-type arrangement where the—

UNIDENTIFIED SPEAKER. Mark, could you speak up a little?

Mr. BENITEZ. The Economic Development Agency will actually be a key player, too. It's a partnership.

Chairwoman BONO. They really want to hear what you are saying. That's the good news, Mr. Benitez.

Mr. BENITEZ. All right. Anyway, that would be a tremendous project that would actually be brought into the Thermal area. Another project would be the—a proposed project would be a relocation of industry that—one of the particular board meetings we had, a presentation was brought forth by a group of, let's say, relocation experts for five industries that would actually relocate in the Thermal area. That would be another tremendous project, but once

again, that's one of those matching fund projects that really needs to have that catalyst created to get those projects off the ground.

But we are really a rural area. A lot of the projects have really been leaned towards a lot of the infrastructure development. Like Mesa Verde and Ripley need a water system. USDA has been working very closely with them to use the Empowerment Zone-type emphasis and leverage to help facilitate a water treatment or water supply system upgrade for them.

At the same time, once again, the Torres-Martinez people have been mentioned a few times already, and I'll add one more. It's the historical center. They have an old schoolhouse there. It's been—gosh, I think my dad even went to school there at one time. And they are going to restore that and turn it into an historical cultural center, interpretive center, to be able to educate visitors to the reservation on the Desert Cahuilla and the travails of their existence, et cetera. All tremendous projects.

At the same time there is also the Limon's Market that is in Thermal that is untapped. They believe that they will be able to achieve the funding they need to be able to restore that market that has been here forever. All the families in this area especially know Limon's Market. It had burned down in a fire. It was totally destroyed. So they came to us seeking help because they didn't have the funding necessary to rebuild this store, so we are hoping that that will be able to be worked out with them and they will carry out with their project. That will be another source of employment for the area.

And at the same time there is another project that we were quite proud of, which is the youth association that builds homes in the area. It's job training, job skills type of application that allows them to build homes that people actually buy. It's a tremendous project.

Once again, a lot of community outreach, a lot of rural development and a very small segment of economic development at this time, but we are hopeful that will continue to grow as the Empowerment Zone continues to exist and reaches the funding it needs every year. We are hoping that we can continue to get full funding instead of 50 percent funding also. It would be tremendous. Thank you.

Chairwoman BONO. Thank you. I guess when it comes to Mark, what is that saying, he walks softly and carries a big stick. He talks softly. But you certainly do a lot of good work, and I appreciate that and I appreciate your being here.

At this time I'm going to defer to my colleague and let her open it up to questions.

Ms. MILLENDER-MCDONALD. Thank you, Madam Chair.

Let me first compliment you on your willingness to take the bull by the horn, if you will, and proceed with developing that which has been given to you in a very microcosmic way. You know, you get this idea from Washington, you get the Empowerment Zone, the EZ/EC, and yet it is up to you to design and develop all those things that will make that work, and I commend you on that.

I was very impressed, Ms. Cantu, when you spoke of the myriad of grants that you have received to continue to make this happen. It is very true, we cannot have a one size fit all anymore. We have

to let individual communities plan and do their own thing, if you will, in order for these things to succeed. We in Washington cannot just come down with a heavy hand and just expect you to do what we are suggesting you do, when most of us don't even know Mecca exists.

So while we appreciate what you have done, we want you to know how very much we were grateful also in taking this bull by the horn. You are very right. You have to have the infrastructure, the community infrastructure in order to move with Empowerment Zones.

You did mention the 100 points for cities that did not get grants. Is that something you can expound on more for the sake of just the audience and for this member to know more about what you meant by that?

Ms. CANTU. I don't know if we are unique in California for doing this or not, I have no idea, but in all of our funding competitions at USDA Rural Development, we have 100 points—almost 100 points, sometimes it's 120, sometimes it's 80—and of that the state director has usually about 20 points that are discretionary points that he or she can then use to promote the principles that he or she is particularly concerned about. I chose in California to secure all of those points and reserve them to be used for the Champion Communities.

The Champion Communities were communities that applied for the designation but were unsuccessful. They got no money, no special preferential treatment, other than this, and no designation, although they worked incredibly hard. By giving them those 20 points exclusively, it allows them to be competitive for the first time for a whole array of funding opportunities. You know, they are disadvantaged communities. They may not have the best grant writer in the state, they may not have all the matching funds that are necessary to make them competitive. In fact, they have almost no resources outside of their will.

But by doing this, we are able to bring them up and it's their most meritorious projects that are the ones that will compete for the top, and then they can get funding. It is impossible to ask any community to go through this strategic planning process without any hope of a golden ring at the end or preferential treatment or something. It's impossible—

Ms. MILLENDER-MCDONALD. But it happens all the time.

Ms. CANTU. Right. But it's impossible to—

Ms. MILLENDER-MCDONALD. Regretfully, to say, but it does happen, yes.

Ms. CANTU. So this is kind of a consolation prize. It has been very effective.

Ms. MILLENDER-MCDONALD. How do you select the cities that buy into this 20 percent of the—the 20 points, if you will, discretionary fund? How do you determine those cities?

Ms. CANTU. There is a formal designation process. We went to all the applicants who were unsuccessful and said, "We've got a plan for you. If you want to carry through with your strategic planning, if you are committed to it, if you want to act like you were designated and continue to hold meetings with the hope that you will be more competitive and will be successful in capturing funds,

will you carry out this process? Will you play along as if you were designated, although you get no money? There is no golden ring except for these discretionary points.” And in California we had—

Ms. MILLENDER-MCDONALD. But it does give them an edge up from those who are not able to get the discretionary funding.

Ms. CANTU. Exactly. Although I think it just levels the playing field.

Ms. MILLENDER-MCDONALD. That is correct.

Ms. CANTU. They really get no more than a level chance. And most of the communities in California who were applicants initially said, “Yeah, we’ll go for it. We think it’s worth it. We are energized by our strategic planning process.”

Ms. MILLENDER-MCDONALD. Is this both rural and urban that can buy into this discretionary funding, or is it just for rural?

Ms. CANTU. We only look after the rural areas in California. I have not heard of this happening in the urban areas.

Ms. MILLENDER-MCDONALD. I see. Did you mention, did I note this right, that you have already raised \$2 million in this whole effort of the Empowerment Zone? You said something about four-year \$2 million budget?

Ms. CANTU. The original plan was a \$40 million ten-year budget. The appropriations have been yearly to date. We don’t have a ten-year plan for which our communities can count on. And of the yearly appropriations, instead of the \$4 million yearly, it has been \$2 million.

Ms. MILLENDER-MCDONALD. That’s where I got the 2 million. Okay. Fine. How many jobs can you speculate, if you can, that have derived from all of the efforts, the grants and all other things that have come to date?

Ms. CANTU. Jobs for all the rural Empowerment Zones and Enterprise Communities saved or created are 10,892 nationwide.

Ms. MILLENDER-MCDONALD. Say that again.

Ms. CANTU. 10,892 jobs created or saved. And I believe this is to date. January.

Ms. MILLENDER-MCDONALD. And that’s across the country?

Ms. CANTU. Across the country.

Ms. MILLENDER-MCDONALD. Excellent.

Mr. Supervisor, it is so good to hear anyone who is in leadership talk about hope and vision, and you started out saying that and I commend you on that because if the people have nothing else, they must have hope and they must have vision, and they must see that vision from a leader such as yourself. So I commend you for starting out with that.

It is also good to know that when you speak about rural—God knows I’m not going to propose to know anything about it because I did not grow up there nor does my district encompass any of this—but it was very interesting for you to say that you have gotten all of the groups, including your Indian tribes, to come together to make this work. And indeed, those are the ones who have been the forgotten group that has not played into this whole process of building or developing a strategic plan.

So I applaud you and all who have come together to try to make this work and to include—we cannot—the one thing Washington wants to know is that you have included everyone, you include ev-

everybody, and they come to the table to sit as you develop a strategic plan. Job creation, CBO partnerships, stakeholders, those are the things you need, and I suppose I have just been so impressed with your presentations, my questions aren't as much as to just commend you on that which you have said.

I do want to discuss with you the formation of this nonprofit corporation. Again, that is to administrate and to advance the project and to look into economic development. Expound on that a little bit for me.

Mr. WILSON. Yes. The—we call it the Desert Alliance for Community Empowerment is a nonprofit group. Each community and each tribe, they elect one representative up to a certain population. The larger communities elect two representatives. They sit on this nonprofit board and administer the funds and apply for the grants, seek out the economic development opportunities, et cetera. The idea was to separate it—even though I am a board member of—one of 17 board members, I'm the only government representative and I'm only one vote and one voice. And the idea was to separate it from the government, to make it the people speaking, the people governing, and it's working.

Ms. MILLENDER-MCDONALD. And I think the more you let Washington know the people are speaking through whatever efforts you are doing, the better off you are, your chances are in getting that full funding. Again, they perhaps know it because we have to see these proposals in order to vote for them, but it is impressive and important that Washington knows that you have, first, included everyone, everyone sits at the table, and secondarily, that you are bringing those who are in need to build an economic stream. That is the most critical. Those are the things we look for when we are deciding who gets and who doesn't and how much and how few fundings they get. You spoke about the Section 179 and its deductions. Can you expound on that a little more for me?

Mr. WILSON. No, I can't.

Ms. MILLENDER-MCDONALD. That's all right. My chief deputy has already written it and she will certainly expound on it when I get back, and I will be able to further review that.

Mr. WILSON. One of the things that Round II has not gotten, in addition to the full \$40 million funding, is the tax incentives, the different business incentives that have been—we have gotten some of them, but not all of them, and we would like to see that revisited.

Ms. MILLENDER-MCDONALD. Well, you know, that's one of the big issues that we have right now in the House. Tax incentives, who gets what and those types of things, doesn't always necessarily mean that is part of the totality of the tax cuts or the tax incentive package. But any time you say tax incentives, it does become a gridlock issue, to some degree. We will, though, work through the process.

Empowerment Zones/Enterprise Communities should not have to wait for those incentives to come down the pike, especially when we are asking you to develop your plans, try to implement those, build your infrastructure whereby all of this will take place, and certainly I will work with your congresswoman to ensure that those tax incentives be put in the pipeline as quickly as we can.

Mr. Benitez, you are fortunate to have a manufacturing anything coming into your district.

Manufacturing jobs just aren't as plentiful in California as they were when I was in the California State Legislature. So it is, indeed, great to hear that.

The relocation project that you speak about and the matching funds, where are you trying to get those matching funds from other than the Federal government?

Mr. BENITEZ. Well, evidently, from the best of my knowledge, the Empowerment Zone designation allows you, or I should say, gives you an opportunity to pull up other type of funding that could be channeled through the Empowerment Zone designation. It's not actually coming from the Empowerment Zone itself. It's a rerouting of Federal funds.

Ms. MILLENDER-MCDONALD. It does not preclude you, though, from seeking matching funds from state?

Mr. BENITEZ. As far as I know, no.

Ms. MILLENDER-MCDONALD. No. I don't think so. The interpretation—this Torres-Martinez project that's going to be a cultural monument or whatever, I think that's great.

Mr. BENITEZ. Cultural interpretation center, yes.

Ms. MILLENDER-MCDONALD. You said your father went to school on that site?

Mr. BENITEZ. Uh-huh.

Ms. MILLENDER-MCDONALD. It's going to become a traditional generational type of, I guess, point of interest and really something for the community to embrace.

Mr. BENITEZ. It's a tremendous cultural resource.

Ms. MILLENDER-MCDONALD. And that's the way I seem to have taken it. But you are going to do interpretations on the reservation as part of a learning process for those who are on the reservation?

Mr. BENITEZ. Correct. That would be one of the different venues, and at the same time they are establishing an interpretation center for the environment of the Salton Sea itself.

Ms. MILLENDER-MCDONALD. What about job training, though, is there a critical need for job training in this area as well?

Mr. BENITEZ. Well, the job training aspect of it is somewhat limited because of the fact it's a resort-type area. A lot of the employers are hotel and resort, golf course type of work. That is probably the largest employer. But actually that would be a tremendous avenue for a lot of people to seek employment and be trained so they can go into that job much easier.

Ms. MILLENDER-MCDONALD. I would tend to think, as I listen to you and as I look at the ambience, that there is a critical need for some job training funds to come in here because certainly folks have to be skilled in order to get these incredible jobs that are going to come from the various partnerships and businesses that are going to be developed from your Empowerment Zone.

Mr. BENITEZ. The county does have a Workforce Development Board that is working closely with that.

Ms. MILLENDER-MCDONALD. I thank you, Madam Chair.

Chairwoman BONO. Thank you. I was going to say, if the supervisor wanted to answer that, feel free to jump in. Our questions

really are—if anybody has a comment, feel free to answer at any point.

But I wanted to say most of all, it's encouraging to me that my colleague is here. Those of us on opposite sides of the aisle have different basic philosophies of how government should work and how the Federal government should work and why it even exists. But I know that Juanita is here, and when she came out here she was even surprised to know that my district was as rural as it is and that agriculture was my number one industry and not golf, which is actually part of number two, which is tourism. But the 44th District of California is very diverse, and I know she is now seeing on a firsthand basis what we are doing here.

And I think, as Roy and Celeste said so well, what it takes to do this is that all the people come together, and this community does that. And I can say with almost every issue that we have, whether it's workforce development, whether it's any economic development of any sort, and we have representatives from the western side of Riverside County here as well, and this—I don't know about your district, but in my district I am so proud of my representatives of the people, whether it's an elected position or a spokesman for a tribe, but the people here work together and they do come to the table and they usually iron out their differences before they come see us in Washington.

Ms. MILLENDER-MCDONALD. Would the gentlewoman yield?

Chairwoman BONO. Yes.

Ms. MILLENDER-MCDONALD. What I just want to simply say is that this has been an education for me today. She's absolutely right. When you think of Mary Bono, you think of Palm Springs, Palm Desert, golf course, golf courses, but you really don't think of the heart and guts and meats of any of our districts until you come there. She was with me on yesterday, I'm with her today. She has learned from my district and I am learning from hers.

Thank you, Madam Chair.

Chairwoman BONO. Thank you. So on that note, I want to begin my questions with Celeste, if I might. These questions I came up with earlier, they are a little bit more geared for Maria. So if you are unable to answer, if I could just submit them to you to get to her, for the record, and they could be submitted in writing, I would be fine with that.

Ms. CANTU. She sent the support staff people who could probably answer the questions better than anybody.

Chairwoman BONO. Okay. So they are on the spot. My first question is, are there any plans underway to hold a third round of EZ/EC programs?

Ms. CANTU. We hope so. Discussion is taking place now to do a third round. This is a tremendous amount of energy, particularly amongst those Champion Communities who want to compete for the designation. As I understand it, the proposal includes at this point, and it is developmental, two Rural Empowerment Zones for the nation. And I have to say from a personal note, when I look at all the tremendous accomplishments the Enterprise Communities have done, to limit that to two for the whole nation is kind of crushing to me.

Personally, those two, the funding that would be tied to those two Empowerment Zones could result in 30 Enterprise Communities. The Enterprise Communities do all the same work but don't get as much money to work with, but they have been incredibly fruitful with their work. And I think from the point of view of California, we would stand a better chance of capturing the designation of an Enterprise Community to help our rural communities if there were more slots to compete for. With one rural Empowerment Zone now, the chances of us getting another, if there are only two to be allocated, are, I think, very slim.

Ms. MILLENDER-MCDONALD. Are you saying two in the country or two in California?

Ms. CANTU. In the country. I think that's the proposal as it stands right now. You can jump in.

Mr. WETHERILL. That's correct. It's in the FY 2000 budget for ten Round III Empowerment Zones, eight urban, two rural.

Chairwoman BONO. Okay. Do you have other questions?

Ms. MILLENDER-MCDONALD. No. I'm just trying to gather my information here. Well, I suppose I do, Madam Chair. If you give us an opportunity to get to this mike, we're going to take you up on it. So the third round is for eight urban and two rural?

Mr. WETHERILL. That's the proposal we are seeing in the budget.

Ms. MILLENDER-MCDONALD. Is there a possibility of California getting a second rural?

Mr. WETHERILL. The way the competitions have run in the past, Congresswoman, is that it's a nationwide competition and the cream rises to the top.

Ms. MILLENDER-MCDONALD. We are the cream.

Chairwoman BONO. Just to remind everybody, we do have a second panel to go, and I don't want it to be too long of a day, but sir, can I ask you to please state your name and spell it for the court reporter over here.

Mr. WETHERILL. Sure. My name is Richard Wetherill, W-e-t-h-e-r-i-l-l. I am Director of the Empowerment Programs Division in the Office of Community Development, USDA, Washington, DC.

Chairwoman BONO. Thank you.

Again, Ms. Cantu, why didn't the Desert Communities Empowerment Zone and other Round II EZs receive the same tax credits as the Round I EZs received?

Ms. CANTU. The tax credits were not allocated in Round II. It's something that we would really hope to see in Round III. I don't have any empirical evidence exactly what the value of tax credits are in terms of attracting businesses, but it seems to me they are just another tool in the toolbox that disadvantaged communities need to compete for businesses to locate. It can only help.

Chairwoman BONO. I'm hearing from my people that this would help a great deal, and Supervisor, would you care to comment on that?

Mr. WILSON. It is very much needed in the Round II areas, and I think you will hear from the next panel, from some folks that are working on economic development, if they had these tax credits and incentives, that it would make their job a lot easier. It's hard to get an industry to relocate from an urban area to an area like this. But here we have, some of these communities, 35 percent unem-

ployment, and they need jobs. Those that are employed, many of them are seasonally employed in agricultural work, and many times of the year they are not employed. So we need a better economic base for these people, and tax incentives and credits would be very helpful.

Chairwoman BONO. Thank you. Again, Ms. Cantu, in the last census, tracts were so large that many communities had problems qualifying within the thousand-square-mile size limitation.

Are there any plans to address this either with the existing communities or in the future round?

Ms. CANTU. We understand that the discussion is now taking place to make all of the previously pretty rigid criteria much more flexible, to be more responsive. In my almost 30 years of competing for Federal funds in my own position, time and time again we saw the prescriptive formulas were really Northeastern-driven or Eastern-driven, and they simply put California at a disadvantage. And that's very true. We had so many census tracts that it just didn't work out.

But we understand that discussion is taking place. We have learned from Round I and Round II. We want to open the door to make this program available to those communities that are also poverty-ridden, but don't exactly fit the relatively rigid prescription that we saw in Round I and Round II.

Chairwoman BONO. Thank you.

Supervisor, if you could talk about housing. A couple of the ideas that were put forth include self-help programs and migrant housing. Can you speak to what is being done in these two areas?

Mr. WILSON. Yes. That is really in addition to economic development. The housing needs in this Empowerment Zone are uppermost in this program. We just opened up a new area of migrant housing. I hope you have a chance to drive by it on your way out on Lincoln. It is the first time that you will see—if you were holding this hearing four weeks later, you would see people sleeping in the streets, cardboard in and around the parks in this type of community because of the grape harvest, and thousands of people come into this community. We don't have adequate housing for them.

We also have a lot of substandard housing. We have mobile homes that have been condemned in urban areas, hauled out here on trucks, and they are providing housing for—unsafe housing for large families. Many of the grants, and we are working with USDA and HUD right now on building—housing applications to build on the Torres-Martinez reservation a 300-space mobile home park that will meet safety standards. Coachella Valley Housing and the county are building a 106-unit mobile home park that will allow people to relocate from unsafe parks to this park.

What we have are people living, hooked up to extension cords running through raw sewage, very deplorable conditions. And that is what we are hoping the Empowerment Zone will help us, and it is helping us, get the recognition from Federal agencies, HUD and USDA, to get grants to help us provide better housing.

Chairwoman BONO. Thank you. And on that, I know Secretary Cuomo is very interested and has been out at least once to tour the area, and I will continue to get him out here if we can.

But Mr. Benitez, as well as being with the Empowerment Zone, you also work with the Cabazon Indian Tribe. Can you describe some of the impacts the Empowerment Zone has had on the tribes in the area?

Mr. BENITEZ. I would say probably the Torres-Martinez people have had the most opportunity to—potential to benefit because of the location that they reside in, the core of the Empowerment Zone in this area, because it is an extensive Empowerment Zone. It stretches all the way out to the Colorado River, 744 square miles. It's pretty big.

But the Torres people have so much that needs to be done for them. They have a great need for water cleanup. They need a good palatable water system that could bring new drinking water to the tribal reservation. They have a great need for infrastructure building as far as power, telephone. Many people talk about the Internet, or as you say, the digital divide, bringing the Internet to the reservations. This is another area that could be addressed on that reservation. It really has a great need for infrastructure building, things that could—would actually be a catalyst to bring more development to that location because it is lacking so direly for that type of infrastructure building.

Chairwoman BONO. I think the spin-off question I have on that is not directly related to the Empowerment Zone designation, but as you know, we are working very hard on the settlement for the Torres-Martinez Tribe, and I know you have had your finger in this and I guess your comments here remind me of how I know you will work hard to make sure this settlement comes again, and that the Torres-Martinez can at some point in time see some sort of economic benefit, hopefully, from that as well. But I would be remiss if I didn't ask you what your thoughts are on gaming and the passage of 1A and where we are going here and how it might touch upon the Empowerment Zone and what you think about this.

Mr. BENITEZ. Well, as it presently stands right now, with 1A basically limiting the amount of expansion of gaming to Torres traditionally-held land, the Torres-Martinez people would actually be the only tribe with the ability to locate a facility inside an Empowerment Zone. So that would be of benefit to create an incentive for employment numbers, increasing employment rolls. Spin-off could be other development based upon that facility. There would be even more job creation, bringing more prosperity to that region.

Our reservation actually is split into three different locations. The most southernly reach is the Mecca area, on the outskirts of town here, and that's where we have a resource recovery park and that's what we are currently working on, and that resides actually inside the Empowerment Zone. The other two locations are on the outside.

Twentynine Palms themselves are at the very furthest reach of it. They have been included, but they are very much land-poor. They don't have a lot they could offer other than through their own casino, actually, job rosters filling as they continue to expand their existing facility. They expect to increase their job enrollment probably at least 50 percent when they increase the size of their resort. They are actually turning their existing facility into a resort, but

it would be a different type of application. It wouldn't actually be in the Empowerment Zone.

So I keep hearing that there is tax incentives for employment, but at the same time I am also hearing it's not available. So I believe that would be the only thing, other than the fact that people that are employed by those facilities actually live in the Empowerment Zone. So that would be a side benefit for them.

Chairwoman BONO. Thank you. Unless there is another burning question or comment that any of you want to make, I think it's time to move on to the second panel. Thank you all for being here. I personally want to invite you to stay and listen to the second panel if you can and have time, and I appreciate your travelling such a long way to be here. Actually, everybody traveled a long way. Thank you all. I think we are ready for a five-minute break.

[Recess.]

Chairwoman BONO. We are going to begin with Mr. Mike Bracken, the Coachella Valley Economic Partnership.

STATEMENT OF MICHAEL BRACKEN, PRESIDENT, COACHELLA VALLEY ECONOMIC PARTNERSHIP

Mr. BRACKEN. Good morning. My name is Mike Bracken. I'm the president and CEO of Coachella Valley Economic Partnership, which is a private sector economic development corporation. The company I represent has about 120 investors, 12 of which happen to be public entities. The other hundred-plus are actually private sector corporations that put their real money on the table to assist in regional economic development efforts. Our efforts clearly are geared toward expanding the economy of this region, of retaining what we have and diversifying the economy.

As what was alluded to in the first panel, our economy out here is basically twofold—agriculture and tourism. That type of an economy leaves us very susceptible to recessions and that kind of turmoil. And so our corporation really is geared toward trying to diversify and expand the economy.

With respect to this region here, this subregion within the entire Coachella Valley, the Desert Communities Empowerment Zone, there are a couple things I want to bring to your attention. In the last 18 months, I took over the corporation about 18 months ago, we have had interest an average of once every two weeks by a Fortune 500 company to put a facility within this area.

Now, what do they want it for? Very simple. Every one of them is the same thing. Distribution centers. You are probably familiar with the Ontario area, Mira Loma, which has really become the distribution capital of North America. They are out of land. But there is a very specific reason why those distribution centers went to Mira Loma and Ontario to begin with, and it has to do with freeway access, it has to do with access to foreign markets, and it also has to do, right, wrong or indifferently, with NAFTA.

Well, the reality is this region has an incredible opportunity right now, and that opportunity is to be able to take advantage of this unprecedented economic status that we have as a nation, to take advantage of corporate America looking to expand, finding ways of creating more revenue through additional retail location, e-commerce and other things.

Obviously, as you know, the only way to get that product to those people and to those retail facilities is via some type of bulk-rate distribution. What's in the way? Let me tell you what's in the way. I am speaking very, very bluntly about where I am at. The corporation I run, just to give you a couple statistics, in 18 months we generated a total of approximately 120, 130 qualified leads. We know the name of the company, we know exactly what they are looking for, and we are trying to find it for them and work out deals.

Why haven't any distribution centers landed here? Well, there are a couple that are pretty close, but in talking with them, one, nobody wants to be a pioneer. They really don't. You probably came in Highway 86. All of that land on both sides, most of that is zoned or available for distribution. Wonderful freeway access and an amazing workforce for distribution.

What does a distribution company setting up a distribution center look for? They are looking for a low to semiskilled workforce. They will pay an average wage of between 10 and \$12 an hour, which is significantly higher than the 6 to \$8 an hour that they are making now. And they are extremely loyal, our workforce here is loyal. The folks that live in this portion of the valley are third and fourth generation. So it would be a huge impact for them.

With respect to this concept of them shying away from being a pioneer, we've spent a lot of time. So what do we need to do? It really comes down to two things, in my mind, and these are two things that you have control over. I wear another hat, as Congresswoman Bono knows, and that's as a city councilman outside of this region. And I learned something long ago through experience, and that is, you want people coming before you to be brief, tell you exactly what they want, and if you can do it, you will.

Two things: Restore this Empowerment Zone to the \$4 million a year, ten-year level. Make it retroactive. Go back and do exactly what they did in Round I Empowerment Zones when they gave them the \$4 million dollars a year for the ten years. Give these folks out here the resources they need for the infrastructure financing and to take care of the economic projects that are on the table.

Two, give us a hiring tax credit. The hiring tax credit, very briefly, which was stripped out of Round II, potentially would help a company to a favor of three-quarters of a million to a million dollars a year for distribution centers. Are they small businesses? No. These are Fortune 500 companies. But you and I both know that as Fortune 500 companies come into a region, for every Fortune 500 company that lands out there, for every job that's created out there by them, two or three small business jobs are also created because of the supporting industries, for the uniforms that have to be cleaned, for the machinery that has to be serviced, for the trucks that have to be serviced, for everything else that goes on within an economy within a cluster.

If Congress were to take action right now, during this economy, to fund this Empowerment Zone to the level that Round Is were funded and to restore the hiring tax credit, I am here to say, based on what I have seen and the clients that I work with are saying, this region can be a model for what an Empowerment Zone should be, which is a way, a tool to help communities help themselves and make themselves economically viable. Thank you.

Chairwoman BONO. Good job. You are succinct and quick and definitely an elected official.

Our next panelist is Harley Knox, a developer in Coachella Valley.

STATEMENT OF HARLEY KNOX, DEVELOPER, HARLEY KNOX & ASSOCIATES

Mr. KNOX. Thank you, Madam Chair. It's indeed a pleasure to be here. And the speakers before me have addressed the history or the origin and the successes to date. Mr. Bracken expressed very succinctly some of the points that I am going to make, but I must say that if this Empowerment Zone is to have substance, if the Enterprise Zone is to have substance, if there is going to be a reality to all of this, it's got to be funded. It's nice for politicians to talk about it, but to have real impact on the lives of the people in this area, it has to be funded.

And I want to focus on a certain element of the Empowerment Zone that I believe to be crucial. With your permission, I will walk through a very brief prepared statement, and then I would like to expand on a few items.

Harley Knox and Associates, in partnership with Germania Construction, and Mr. Wolf, the owner of Germania is with me today, have an industrial development company, and we are working with many small but rapidly growing manufacturing companies. Now, these companies are sound and viable manufacturers and they offer good-paying, year-round jobs with health insurance and other employee benefits. And I would suggest to this panel that that speaks to the core of economic development. It's year-round jobs, benefits, health insurance that provides security and income to the workers, and it is these jobs that are the foundation for any economic progress.

These companies require low cost, long-term financing for manufacturing facilities and for equipment to use in manufacturing. Now, the tax-exempt Industrial Development Bonds, as provided for in the Empowerment Zone and issued by the County of Riverside, would meet the capital requirements of these manufacturers.

Other tax incentives, such as offered in the Enterprise Zone, are extremely important, vitally important, and these incentives should be put back in place. They should be in place for Round II and they should be funded and perfected in every way possible. However, the tax-exempt Industrial Development Bonds meet the most immediate and often overwhelming capital requirement for expansion and relocation of manufacturing facilities.

Now, the companies with which we interact, some of which are California companies, some of which are international companies, all of them are small, find that they cannot access the benefits provided by an Enterprise Zone unless they first have the capital to locate within that Enterprise Zone, and that's the importance of the tax-exempt Industrial Development Bond, financing for these manufacturers. And I would add that without this kind of incentive to make that initial investment in this area, certainly the half dozen manufacturers that we are currently working with to locate in this area will not be able to come here.

So it's imperative that Round II funding of this Empowerment Zone be expanded and enriched in every possible way. This Empowerment Zone must be reliable. We must be able to look to it with confidence if we would entice employers to locate their businesses here. Be sure that funding will be available when their plans are completed to move to this area. We ask these manufacturers to put their fortune and their future on the line and take a leap of faith with us to come to the Coachella Valley with their businesses, and unless we are secure in the knowledge that the funding is going to be there and it will be adequate, that won't happen.

And it has to be in abundance. You can't just fund one or two. That doesn't make an economic base, and it doesn't justify the pioneering effort that is required to establish an industrial park and to finance the backbone infrastructure that is required. So it has to be enough to assure you have some momentum, some ongoing activity.

I want to reinforce what Mr. Bracken had said about the need for the tax credits. I do hope that you will carry back with you the message from us that we are very close with a number of viable employers for this area. We are anxious to put that over, over the line and make it a reality. We thank you very much. I commend Congress for the foresight in establishing an Empowerment Zone in this area. I think that it will be crucial to the economic development of this area. Thank you very much.

Chairwoman BONO. Thank you.

Larry Chank is a developer. He said it's a golf term and I don't play golf.

Mr. CHANK. It's a very bad golf shot.

Chairwoman BONO. He's also a developer with a good deal of land in the Empowerment Zone. And you have the floor.

STATEMENT OF LAWRENCE CHANK, CEO, JPH ENTERPRISES, INC.

Mr. CHANK. Members of the House Committee on Small Business, For the record, first of all, JPH is a private sector corporation which has received no Federal funding. I'm a developer of agricultural, commercial, and industrial properties in the Coachella Valley. For the past 20 years I have been active in developing over 500 acres of date properties, 300 acres of row crop land, 150,000 square feet of commercial buildings and 250,000 square feet of multi-tenant industrial space in 17 locations. I have also developed three industrial business parks in the Palm Desert and Indio area.

Over the last 20 years my partners and I have owned properties in Palm Desert, Indio, Coachella and Thermal. The developments in Palm Desert and Indio have proceeded on schedule with great demand from the private sector. The Coachella and Thermal developments continue to struggle.

Recently I have had the opportunity to negotiate with six to eight manufacturing and distribution center prospects for the Coachella and Thermal area. After lengthy negotiations and multiple site visits, the bottom line in their decision was "We have decided not to locate with you, but to locate elsewhere because we do not wish to be the first company to locate in the Coachella-Thermal area," and

“The lack of quality education, housing, and infrastructure makes it difficult to invest the dollars in your location.”

In addition to the three business park locations that I have in Coachella and Thermal, there continues to be a significant amount of land available in the Highway 111 and Highway 86 corridor to accommodate distribution center and manufacturing developments. With surrounding areas, such as Ontario, approaching capacity and the added truck traffic moving more and more border crossings to Calexico, the Coachella, Thermal, Mecca and Salton Sea areas are well poised to attract new business.

However, the Federal government's assistance is a necessity in helping to provide the necessary tools and incentives to entice the first few players in.

I have the land and the partners who have offered the land at below true value and have offered to build-to-suit to prospective tenants at below market lease rates. The state, the city, the county have all provided incentive packages tailored to attract the target businesses that we want. Additionally, the county has invested heavily in the expansion of the Desert Resorts Airport. This has not been enough to bring the first businesses to the table.

It will take the partnership of the local communities, the land-owners, the developers and the Federal government to develop a long-term plan to build a successful business environment. Corporate America looks for stability, an educated workforce and quality of life in making expansion and relocation decisions.

With the proper incentive programs we can develop a successful business destination which will start the cycle going toward an improvement in education, infrastructure, job opportunities, and quality of life. This cycle increases the number of jobs and the number of people who can afford entry-level housing, which again repeats the business cycle as families begin to gain a stronger economic base and additional businesses locate here.

The successes of the central communities in the desert must be leveraged to ensure the opportunities enjoyed by the Rancho Mirage, Palm Desert and Indian Wells residents are afforded to the poorer communities in the east. Thank you for this opportunity to appear before you.

Chairwoman BONO. Thank you. That was quick enough. You should run for office. Harold Joseph is the executive director of the Coachella Valley Enterprise Zone Authority.

**STATEMENT OF HAROLD JOSEPH, EXECUTIVE DIRECTOR,
COACHELLA VALLEY ENTERPRISE ZONE AUTHORITY**

Mr. JOSEPH. We are going to talk about a success story this morning. The Coachella Valley Enterprise Zone is a joint powers agreement between the cities of Coachella, Indio, and Riverside County. And the impact of the Coachella Valley Enterprise Zone in new business relocation, expansion and new job creation is what we will talk about today, and I would like to refer to my notes in my presentation to you.

The Coachella Valley Enterprise Zone has been successful in achieving its primary goals of helping to attract new business relocation and expansion into its boundaries and creating new jobs with existing businesses. The reason the Enterprise Zone has had

such a positive impact on economic development is the powerful financial incentives mandated by the State of California.

The Enterprise Zone offers to businesses within their boundaries five incentives which provide credits against state income tax, including, one, the employer hiring credits, up to 50 percent of qualified employee wages; two, sales and use tax credits, tax credits for new machinery and parts; three, business expense deductions; four, net operating loss carryover; and five, nontaxable investments, net interest on loans to Enterprise Zone businesses can be taken as tax credit by lender.

The effect of all these incentives is to give businesses within the Zone, including new businesses relocating or expanding into the Zone, substantial savings on their state income tax. Since these are primarily tax credits, not deductions, the result is a direct cash savings to the business, money they would otherwise not have for reinvestment in the success of their company. The total savings can be tremendous—as much as tens or even hundreds of thousands of dollars each and every year for businesses for the life of the Enterprise Zone's existence. This has proven to be a powerful inducement for attracting new business for areas that have the necessary infrastructure but lack the momentum of economic development.

The Coachella Valley Enterprise Zone was established in 1991 and in the last four years has realized the potential of its mandate for local growth of new business, business expansion and new jobs. Adverse economic conditions, meaning the real estate recession we had in the early '90s, kept this from happening earlier. Today's economy is ideal for the promise of Enterprise Zone assistance to business development. There are many success stories that, taken together, demonstrate the value of all the Zone's incentives.

Three companies stand out as prime examples of Enterprise Zone success. The first is Guy Evans, Inc., the largest regional manufacturer and installer of doors to commercial, tract and custom builders. In 1998 Guy Evans began using the hiring credits. The lack of red tape and ease of qualifying employees due to the Target Employment Area make this incentive especially useful to companies. In his first year of using hiring credits, Guy saved \$57,000. This money was reinvested back into his business, purchasing new equipment and creating new jobs. In 1999, because of the growth of his business, he saved \$134,000. This was reinvested again into his expansion plans.

The Enterprise Zone incentives were so important to him that when he decided to build a new 50,000-square-foot building, he made sure it was located in the Enterprise Zone. In addition, he was expanding to a satellite location and he instructed his real estate broker to look only for property located within an Enterprise Zone. He actually includes the use of Enterprise Zone incentives as part of his business plan.

The second example involves Mathis Brothers Furniture. They are the second largest furniture retailer in the world, with home offices in Oklahoma City. In 1999 they decided to expand into the west, specifically Southern California. They commissioned detailed demographic studies and concluded that the location that made the most business sense was Indio, California, inside the Coachella Valley Enterprise Zone.

The Enterprise Zone tax incentives were part of their decision. They proceeded to renovate a 50,000-square-foot building, which had been vacant for several years, adding another 50,000-square-foot facility as a distribution center. Mathis Brothers opened in Indio in early 2000 and is performing well over their initial projections.

The third example is Peter Rabbit Farms. They are a major grower, processor and packer of vegetables including carrots and peppers. The company uses several of the Enterprise Zone incentives to help support its growth and continued success, including hiring credits, sales and use tax credits and nontaxable investments. They used the last one, the nontaxable investments, to negotiate a reduced interest rate from their bank on a loan. This can be a powerful tool for a business relocating or expanding into the Enterprise Zone.

The tax incentives offered by the Enterprise Zone are powerful inducements to attracting economic development, but are not the only things the Zone offers to incoming businesses. The Zone acts as a clearing house for inquiries, a liaison to city and county governments, and offers assistance and advice on all the myriad details of establishing a new business location. They develop, quote, unquote, "Red Teams" that fast-track permits and deal with regulatory issues. The Zone even sponsors seminars and workshops on business development.

The Coachella Valley Enterprise Zone has a direct impact on bringing in new business through its marketing effort. A substantial portion of its operating budget is dedicated to advertising, marketing and promoting the Zone to companies throughout the country, if not internationally, that are considering relocation or expansion. This effort would not have the impact that it does without the powerful financial benefit of the tax incentives that the zone can offer.

In conclusion, the facts demonstrate that the Coachella Valley Enterprise Zone is successfully working to attract new business relocation and expansion and to create new jobs, revitalizing the economic development of the cities and communities within its borders. Thank you very much.

Chairwoman BONO. Thank you.

So with your testimony, Mr. Joseph, you are saying that the Enterprise Zone has had significant success in business development due to the hiring tax credit and other tax incentives from the state. Is this based upon similar conditions as we are hearing in the Empowerment Zone? Basically, you are proving the success you have had, you will have it again with the Federal designation?

Mr. JOSEPH. I would say this: I cannot speak specifically to the Empowerment Zone because I, unlike the other speakers that you have had before you, am not specifically committed to working with the Empowerment Zone. I can tell you, however, that based on my experience, if you provide tax incentives to people who are looking to locate or relocate or expand where they are, these tax incentives can prove an extraordinarily powerful incentive for that purpose.

Chairwoman BONO. I see. Thank you. Can you talk a little bit about how your agency works with the Federal side of this thing, how the two work together?

Mr. JOSEPH. Very little. Ours is primarily a state-mandated operation. The Empowerment Zones of California were created through enabling legislation in Sacramento in 1985. There are currently 39 Enterprise Zones throughout the state of California. Ours, as noted, was established in 1991. Because of the real estate problems we had, not only in California, but elsewhere, it didn't really get off the ground until 1995, '96. So I consider our Enterprise Zone to be, maybe, 4 or 5 years old, maximum, not the 9 or 10 years old which the calendar would dictate.

Within this last 4 or 5 years, we have had an enormous surge of interest and activity, and as you can see by my testimony, there are businesses who specifically look out for locations within an Enterprise Zone because of the California tax incentives they can provide. If we could combine California tax incentives and Federal tax incentives, we would have a skyrocket of development within the area down here.

Chairwoman BONO. Thank you. I guess my next question is mostly to Mike Bracken, but any of you can certainly weigh in on this issue. You know the predicted growth of Riverside County is tremendous. We are going to see a huge boom over the next decade. Why do we have to do this if the growth is going to come our way anyway?

Mr. BRACKEN. Because unfortunately, the way the growth patterns are projected, the people in this region, and I mean in this specific Empowerment Zone, would truly be left behind. The problems just aren't on the job creation side, which, of course, is what this panel is addressing, but it goes to the heart of why these companies aren't here to begin with, why this community needs help.

It has been so relying on agricultural for so long, which is historically low-paying and historically employs low-skilled folks. We have huge problems in our education system out here. I mean, you know that firsthand and you have taken steps yourself to try and correct that. And I know the state is as well.

This area here very clearly is going to get left behind unless we can do something to provide some type of incentive. And this goes back to really the heart of what I said to begin with, which is, if we are successful in providing some short-term incentives to give the infusion into this region at the same time the growth of the economy nationwide is so good, chances are you will be able to bring the private sector investment that you really want to see, so that 12 years from now, 15 years from now, nobody back in Washington would ever even know that this Empowerment Zone existed. Or better yet, wouldn't it be great if 10 years from now you people back in Washington and across the country were saying, "Huh? They didn't need the Empowerment Zone." No kidding, because it was successful.

Chairwoman BONO. Does anybody else care to comment on that?

Mr. CHANK. Again, because of the strong agricultural base here, you will always have agriculture as a primary employment at this end of the valley. As development occurs in the center of the valley, and I am in the middle of the developers that take farmland out of operation, and when somebody takes farmland out of operation in the central valley, we look down in this area of the valley to re-

create that demand because there is still the demand for the date crop or for the row crop.

So this area, without Federal assistance, will have a strong agricultural base, but again, those jobs tend to be very low-paying and very seasonal. The infusion of the Federal incentives along with the state incentives that are available will again give this area the ability to compete with an economically healthy area that's going after the same business.

When a business comes in, they will send a site selector out, and that site selector will look at up to six locations on his trip out. So now you are competing against six locations. You may get narrowed down to three, and then it becomes the issues of infrastructure, quality of life, find stability that really are the final ranking. It can be offset with incentive programs that will provide the long-term stability and lead to the long-term strong, community-based infrastructure that everyone looks for.

Mr. KNOX. If I may, some of the companies with which we are interacting are located in Southern California and coastal areas. And the conversation begins very difficultly when you are talking to a business owner who lives at the beach, lives in the middle of this market, is surrounded by vendors and suppliers, and he's asking, "You want me to do what?" And so you have to have some economic motivation for him to take a hard look at this area.

And with the creation of the Empowerment Zone, we have been successful in doing that, where we now have a number of companies who are focused on this area and on our proposals, and not because it's a superior place to live than Newport Beach, but because there are economic reasons to come here, and those reasons are provided by the Empowerment Zone.

Mr. JOSEPH. Very quickly, to respond to your question from my perspective, the reason you have 39 Enterprise Zones in California is that they were designated to go into areas of poverty, and they had to compete, they had to even—somebody in the previous panel talked about evening the playing field, so to speak. Rather than go to Newport Beach, why would they come to Coachella? And there is really no other reason except to say, "What's in it for me?" How are we going to be able to create an economic environment that's going to make it attractive for me to come down here and contribute to the economy and maybe even balance out the money that the taxpayers are spending to get me down here? I'm going to contribute more to that.

We are going to create an economic environment that's going to be a plus as opposed to a negative in this area. And I think that that is the real reason. We are facing terrific competition throughout California, throughout the country for jobs, for industry, and you have to create something that attracts their attention. And once you get them down here—and the executives can play on the 105 golf courses that are available and eat in the fancy restaurants—if you have the workforce, if you've got the well-priced property, industrial-priced land, if you've got the infrastructure, you've got the power, you've got the water, the storm drains, the sewers and everything you need, what else will grab their attention? The quality of life we talked about.

Once you grab their attention, it's "What's in it for me as a business, to my stockholders, to my corporate partners?" The key is "Can I get an economic advantage? Is there a leverage here, is there an edge that would serve my purposes?" And that's what incentives give you. It gives you an economic push that says, "I think I'm going to take a real hard look at that area because it affords me something that other areas don't have."

Chairwoman BONO. Thank you. I'm going to wrap up my questions, but I want to say that I have been in Congress now for two years and I have learned that what we do on the panel usually is not ask questions because we want to learn something. We are asking questions because we want you to say what we want you to say. And you all just said perfectly what I was hoping to hear, and that was you made such a strong case for the Empowerment Zone and why we need it.

And I was going to say to you, you know, the question here is, who is going to be the one to start it? How is this going to begin? And I think we have made the case clearly that it is up to the Federal government to be the first one. And they started by making the commitment and they need to follow through with the funding. And I want to say to you all, thank you for making such a great case and so eloquently and succinctly. And I will turn to my colleague now for her questions.

Ms. MILLENDER-MCDONALD. Thank you, Madam Chair. I was looking at the clock because I have to get on the road, too. I thank you all for being here. In my past life I served as a mayor of a city 90,000 strong. I am very familiar with the CRA. And my concern is, Mr. Bracken, are you by any means helping through a CRA program to provide the incentives for this Empowerment Zone?

Mr. BRACKEN. If you will indulge me for a second, let me walk you through a very specific case of a Fortune 500 company where we are at.

Ms. MILLENDER-MCDONALD. But the question I raised to you is whether you have a CRA and if you are working in concert with the Empowerment Zone to provide those types of—in other words, you have project areas through CRAs. Do you have project areas within this Empowerment Zone?

Mr. BRACKEN. Absolutely. Both the County of Riverside and City of Coachella have active redevelopment agencies and have multiple project areas within the Empowerment Zone.

Ms. MILLENDER-MCDONALD. So that, too, is a type of incentive, a type of program that you have that helps in the tax incentive totality of this whole success of the Empowerment Zone?

Mr. BRACKEN. Yes. In fact, many times the incentive packages we put together for companies, for distribution companies, exceed \$20 million in incentives over a five- to seven-year period. They typically include localized incentives, county incentives, state incentives and Federal incentives, the JTPA.

Ms. MILLENDER-MCDONALD. To have distribution centers, you tend to look at the infrastructure, you tend to look at equidistance to freeways and how are you going to move products in and out. The freeways you have here are very good, I have traveled on them this morning. But are they the ones that's going to drive the goods from—what is it, 87 I came out on or whatever, 86—on through a

drop-off period and then on across the nation? Walk with me as to how your distribution centers will carry those goods across the nation.

Mr. BRACKEN. When a company makes a decision——

Ms. MILLENDER-MCDONALD. Do you have a port system anywhere around?

Mr. BRACKEN. We are not part of the inland port system at this time. There is some proposals within the Alameda corridor east. Of course, that's about an eight-hour——

Ms. MILLENDER-MCDONALD. You've got to wait until my Alameda corridor.

Mr. BRACKEN. When a company decides they need to put a larger distribution center or a distribution center somewhere in the West Coast, that center typically supports seven western states. That's just for geographic locations. They do a transportation analysis, also know as a centroid analysis. Where is the very cheapest point to ship from?

And all it has to do with is where is the product coming from, where is it going to? Because the cost of moving goods is the most expensive cost for a distribution center in that process. And they do this centroid analysis, and what comes up is a centroid, a dot. I have seen dots come up on the screen for Death Valley, California. It has nothing to do with Death Valley. It has to do with where would be the very cheapest to move things here, there and everywhere.

Ontario comes up a lot, Barstow comes up a lot, and Indio and Coachella are beginning to hit on that screen. So the bottom line is, companies are realizing, from a financial sense, its a number-crunching exercise, the I-10 corridor, access to the 15 corridor, access to the 86 corridor. We are essentially——

Ms. MILLENDER-MCDONALD. Would you go over that again? I know the I-10.

Mr. BRACKEN. The I-10, the 15 corridor, which essentially extends from San Diego up into Utah, the 5 corridor, and of course the 86 corridor. This road that you came in on terminates at a new customs station that you funded in Mexicali, in Imperial County, and we are seeing a significant amount of product being shipped from there. I think they are up to about 7- or 800 trucks a day.

Ms. MILLENDER-MCDONALD. In serving on the Transportation Committee as well as the Small Business Committee, and I am the senior member on the Aviation Subcommittee of Transportation Full Committee, I have gone to all of the airports in the Southern California region in trying to see how we can move goods, services and expand in terms of economic growth, given the downsizing of the military contracts, especially in my district, that have kind of evaporated. So I am very much clear and pretty much cognizant of infrastructure, where we are going, where we should go, where we need to go, and what areas will provide that type of swift cargo transporting at the most efficient and effective way.

So that's why I was wondering in distribution centers out here, where are we moving this? What infrastructure can you demonstrate to me that we can really provide the type of swift movements—rail, as we now see, would be really the most efficient way

of moving things, and the Alameda corridor east would perhaps provide some of that, if not a lot of that in terms of moving goods.

Your hiring tax credits—I was and do go down as the historic chairwoman who chaired the Revenue and Taxation in the California State Legislature. I do want to be very clear and want you to understand me very clearly, that the state provides the tax incentives. They are the ones who really give you what you need in terms of job creations through businesses relocating or start of businesses. So the state has given you a great deal of tax incentives.

Federal governments do not give those types of tax incentives. What you are asking for would be a secondary layer or even a third layer because the CRA provides something, your states provide something and the county provides something. And so the Federal government will look a little more tenacious at trying to provide the hiring tax credits, the development—you said the financial—what is it—let me put on my glasses. I certainly cannot read without them. You were asking for—I had noted that it was Mr. Joseph who spoke on it, and I just wanted to reiterate that. The bonds. You had spoke about the bonds, too, Mr. Bracken; am I correct?

Mr. BRACKEN. Yes.

Ms. MILLENDER-MCDONALD. Let's be very clear. The Federal government does look into what is being done in areas in terms of tax incentives before they come in with any others outside of the ones that they are going to typically give anyway to the Empowerment Zones. And so I am hearing about the hiring tax and other tax credits, but as the former chair of Revenue and Taxation, I think you have an absolutely, incredibly good tax incentive package from the State of California.

Chairwoman Bono. If I could just ask Mike Bracken. I see you are chomping at the bit, and I know you want to say something on the last point, and I'd like to see if you can interject.

Mr. BRACKEN. All we are essentially asking for with respect to the employment credits, the hiring credits, is to give us the same tool you gave Round I, which is already within Publication 954. It's already there, it is already given to Round I. Give us the same thing you gave Round I. That's all I'm asking for.

Ms. MILLENDER-MCDONALD. What would be your rationale as to why you won't get it?

Mr. BRACKEN. Why we won't or why—

Ms. MILLENDER-MCDONALD. Why you wouldn't get it.

Mr. BRACKEN. Right now we are not.

Ms. MILLENDER-MCDONALD. You are not getting it, I understand that. But what would be the rationale for you not getting it? In an area such as this that really needs to be developed, what would be our rationale for not giving it to you?

Chairwoman BONO. You are asking him to explain Congress' rationale?

Mr. BRACKEN. I have trouble explaining city council rationale for the one I sit on, sometimes.

Ms. MILLENDER-MCDONALD. But what I am saying, if you have a good point, and that indeed you have, it seems that you have either unskilled, low-skilled possibility of a workforce here, and I am only going by some of the things that have been said, what would

be the difficulty of your giving us that argument, for the second round folks not to get your Hiring Tax Credit or incentives?

Mr. BRACKEN. Let me answer it, I think in the same way. The hiring tax credits given in Round I are very short-term credits. In fact, they start ramping down in another year and a half. We have an incredible economy now. We need a pioneer. We need one or two pioneers. Give us the tax credit now. It's very short-term. It allows us to get these pioneers in place. The credit sunsets very quickly. It starts ramping down in the year 2002. We've got the short-term infusion of tax credits, we need to get these pioneers over the hurdle.

Ms. MILLENDER-MCDONALD. All I'm saying, it is very difficult for the Federal to—when the state has come in, we do look to the state to give those enormous tax credits, if they are going to do that, and the ones that we give will not be nearly as much as your states and counties and cities. And so for them to get—and if that is on the books, that's fine—but I am just saying that you have to have a strong argument, and your argument should be, in my opinion, that there is a tremendous workforce here, but it has to be cultivated, in my opinion, just from what I have heard.

And that should be some rationale for your coming back to the well again and having your Congresswoman go back to the Hill and have a strong argument. Outside of your talking to me today, I would not have known this. But now that I have seen this, perhaps that would be your rationale for it.

Mr. BRACKEN. The economic development corporation that I run—and a couple of the investors happen to be sitting here as well, both Larry and Hal, their corporations are investors—we plan on asking and have asked our congresswoman to carry special legislation for all Round II Empowerment Zones, to give them the same benefits as Round I.

Ms. MILLENDER-MCDONALD. And like you say, things are cutting off and hopefully you can get that. I'm not suggesting that you shouldn't or that you won't, but I am saying you have to have a strong—because you are competing with everyone across this nation, so it has to be strong.

The last thing that I—Mr. Joseph. The others I just clearly followed what you were asking for, but Mr. Joseph, you said something that was very telling and quite concerning to me. If Mr. Bracken is saying they want to hire folks at 10 to \$12 an hour, and you are saying there is a lack of education here that precludes you from relocating in this area, what kind of rationale—on the one hand you are saying that we don't have an educated workforce; on the other hand he is saying that we do have one commensurate enough to get 10 to \$12 an hour. So I am a little perplexed with those kinds of dynamics going on here.

Mr. JOSEPH. Well, the jobs that are created here in—I'm not exactly sure of your question, so let me give you—unless you want—

Ms. MILLENDER-MCDONALD. The lack of education will be the persons that you are hiring in the Enterprise Zones through those businesses; am I correct?

Mr. JOSEPH. Yes.

Ms. MILLENDER-MCDONALD. The persons that Mr. Bracken is envisioning to be that workforce, he's already saying hiring tax credits will provide them an opportunity to pay \$10- to \$12-an-hour. That's not a bad hourly rate. But you've got to make sure that you have someone who is educated or job-training skilled enough to get that. So you are saying it's a lack of education, so I'm just trying to——

Mr. JOSEPH. Before I pass this back, because I think Mr. Bracken can speak more adequately to that issue than I, the hiring tax credits that we can provide in the Enterprise Zone represent a number that does not exceed more than 50 percent of the minimum wage. In other words, if you are getting like—if the minimum wage right now is \$7 or \$8, 50 percent of that is the cap that we can give hiring tax credits to.

But I want to make one thing sure, clear here. The Enterprise Zone is a prescribed geographic area and it has 35,000 acres. It comprises the Thousand Palms area, Indio and Coachella and runs down to Mecca. The Empowerment Zone is much broader than that, and therefore the tax incentives you can get from California in an Empowerment Zone—the geographic area in the Empowerment Zone far exceeds the geographic area of the Enterprise Zone.

Ms. MILLENDER-MCDONALD. I understand that, because with Enterprise Zones, I took care of that as well in the state legislature, they are the state type of empowerment or incentive, where Empowerment is the Federal, so that you would expand on that, of course. So you are talking about Enterprise Zone lack of education or the Empowerment Zone lack of education?

Mr. JOSEPH. I think it was the Empowerment Zone that was talked about. My only comment was—I want to make sure of the two points, and you certainly are aware, you wrote the legislation—the size and location of the Enterprise Zone vis-a-vis the Empowerment Zone; and secondly, the fact that even the hiring credits have a cap from which the employer can draw. But I did not speak to the other issue, and maybe someone else wants to.

Mr. CHANK. I do, because I bring small businesses into the desert very often. One of the things I do in bringing a company into the desert is to link them up with the training programs that are available through the county, through the local community college, through the high schools. We have a very employable workforce, a very underutilized workforce. The people that are working in the agricultural area are trainable. They haven't been trained.

Ms. MILLENDER-MCDONALD. Of course not.

Mr. CHANK. It's a matter of creating the jobs and creating the training programs to move them in. I have been very successful in having companies come in and having them find qualified employees that they train into the job. They understand that to come into the area and have a workforce that is employable is important. We have a high—in this area in particular, a high unemployment rate. The people that are unemployed are not unemployed because they do not want to work or because they are not able and capable of working. It's just that the jobs at this end of the valley are not there for them.

Ms. MILLENDER-MCDONALD. Meaning?

Mr. CHANK. Meaning for them to travel to Palm Springs to work in a hotel is just not physically possible, for various reasons. Again, the creation of the jobs, if we were to—when a hotel comes into the desert and creates several thousand jobs in a resort hotel environment, they find an employable workforce and they go through the job-training programs. Employers coming in, we have a very large employable workforce and people that are trainable.

Ms. MILLENDER-MCDONALD. Let me ask you lastly about the joint powers authority that you talked about, Mr. Joseph. That authority is between what city, county, state?

Mr. JOSEPH. It's the two cities of Indio, Coachella, and Riverside County. Each of them contribute a certain sum of money every year. This is used for the overhead, for staff and other equipment, as well as a marketing program to do two things: A, those businesses that are now within the Enterprise Zone, many of them do not know what advantages are available to them for being in the Enterprise Zone. So we have to go out and reach these people and share with them the information of how they could use these incentive programs of the state that just happen to be there. They don't even know how to use it, so we are reaching those people. That's about two-thirds of our effort. One-third of our effort is to encourage through our marketing programs people from outside the area to say, "Hey, we have something you want to look at."

Ms. MILLENDER-MCDONALD. Thank you, Madam Chairman.

Chairwoman BONO. Thank you. It's time to wrap up. I want to thank my colleague again for being here, and the panelists, for your presentations here. I would also like to take the opportunity to thank staff who have traveled here from Washington, DC, Dwayne Andrews and Harry Katrichis. And I would like to especially thank Imani Brown, who was also out here with the Palm Springs radar problem, and you definitely are on top of things and I appreciate you being here again.

Most of all to my colleague for traveling so far, and for your insight and guidance and wisdom.

And I would like to thank the Mecca Community Center staff for hosting this event. You've done a great job and it's a pleasure to be here. I'm just so glad your air-conditioning works. That was my biggest fear.

So thank you all very much for being here. I hope we—I know that we can take what we have learned and heard today back with us to Washington, DC. Thanks to the good efforts here, we will take it to Washington and go from there.

[Whereupon, at 12:33 p.m., the committee was adjourned.]